

Region XII Council of Governments, Inc.
Council of Governments Housing, Inc.
Region XII Development Corporation, Inc.
Carroll, Iowa
Financial Statements
Independent Auditor's Reports
Supplemental Information
Schedule of Findings & Questioned Costs
June 30, 2010

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REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
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Executive Board Members

Jack Bensley	Chairperson	Sac
Marty Danzer	Vice Chairperson	Carroll
Vernon Venteicher	Secretary	Audubon
Guy Richardson	Treasurer	Greene
Jerome Caraher	Board Member	Guthrie
Robert Lohrmann	Board Member	Crawford

Policy Council Members

Jay Dee Mendenhall	Board Member	Audubon
Bruce D. Nelson	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Sheryl Wagner	Board Member	Carroll
Dan Nieland	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Mary Lou Kraus	Board Member	Crawford
Carla Lally	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Jane Heun	Board Member	Greene
Karen Polking	Board Member	Greene
Mary Jane Fields	Board Member	Greene
Jerri Christman	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Curt Thornberry	Board Member	Guthrie
Morris Boeckman	Board Member	Sac
Joan Godbersen	Board Member	Sac
Elaine Rex	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Joe Behrens	Local Assistance Director
James Burns	Transit Director
Beth Winkquist	Workforce Director
Kathleen Pauli	Fiscal Officer

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County's representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

John D. Morrow

Certified Public Accountant

**Member
Iowa
Society**

**P O Box 400
109 Main Street
Wall Lake, Iowa 51466-0400**

**413 Ash Avenue
Ames, Iowa 50014**

Phone: (712) 664-2891

FAX: (712) 664-2717

Cell: (712) 830-3121

Email: morrowjd@netins.net

Certified Public Accountants

November 23, 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region XII Council of Governments, Inc.
Council of Governments Housing, Inc.
Region XII Development Corporation, Inc.
Carroll, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Region XII Council of Governments, Inc. (COG), Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, as of and for the year then ended June 30, 2010. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit. The Management Discussion and Analysis is not included in this report.

I conducted the audit in accordance with U. S. generally accepted auditing standards, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act, Office of Management and Budget (OMB) Circular A-133, and Chapter 11 of the Code of Iowa. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc., Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., as of and for the year ended June 30, 2010, and changes in their net assets, and their cash flows in conformity with U. S generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my reports dated November 23, 2010, on my consideration of Region XII Council of Governments, Inc., Council of Governments Housing, Inc. and Region XII Development Corporation, Inc.'s, internal control over financial reporting and my tests of their compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analyses and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2010

ASSETS	Region XII Council of Governments	Council of Governments Housing	Region XII Development Corporation
CURRENT ASSETS			
Cash and investments	\$ 4,034,084	\$ 395,678	\$ 1,271,760
Receivables:			
Grantor agencies	744,228	248,934	150,000
Other sources	144,522	0	0
Affiliated organizations	98,915	0	0
Prepaid expense	14,790	0	0
Total Current Assets	<u>5,036,539</u>	<u>644,612</u>	<u>1,421,760</u>
PROPERTY AND EQUIPMENT			
Land & building	3,291,104	0	0
Vehicles	2,290,245	0	0
Office equipment	399,829	0	0
Spec houses for resale	142,952	0	0
	<u>6,124,130</u>	<u>0</u>	<u>0</u>
Less accumulated depreciation	<u>1,846,442</u>	<u>0</u>	<u>0</u>
	<u>4,277,688</u>	<u>0</u>	<u>0</u>
OTHER ASSETS			
Receivable from future claims or reimbursements	813,864	0	0
Housing program loans	1,959,952	298,539	0
Business enterprise loans	<u>0</u>	<u>0</u>	<u>1,320,397</u>
	<u>\$ 12,088,043</u>	<u>\$ 943,151</u>	<u>\$ 2,742,157</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 88,975	\$ 11,951	\$ 2,013
Notes payable	973,000	0	0
Current portion of long-term debt	15,100	0	40,340
Accrued payroll and benefits	70,703	0	0
Accrued annual leave payable	115,859	0	0
Due affiliated organizations	0	277	98,638
Deferred Revenue	119,182	475,408	0
Capital match deposits	<u>107,771</u>	<u>0</u>	<u>0</u>
Total current liabilities	<u>1,490,590</u>	<u>487,636</u>	<u>140,991</u>
LONG TERM LIABILITIES			
Note payable	60,400	0	1,020,266
NET ASSETS			
Unrestricted Net Assets			
Unreserved net assets	4,032,685	156,976	1,321,109
Health insurance reserve	266,727	0	0
Investment in property, vehicles and equipment	4,277,688	0	0
Reserve for loans	1,959,953	298,539	259,791
Temporarily Restricted Net Assets	0	0	0
Permanently Restricted Net Assets	<u>0</u>	<u>0</u>	<u>0</u>
	<u>10,537,053</u>	<u>455,515</u>	<u>1,580,900</u>
	<u>\$ 12,088,043</u>	<u>\$ 943,151</u>	<u>\$ 2,742,157</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 STATEMENTS OF ACTIVITIES
 Year ended June 30, 2010

Revenues:	Region XII Council of Governments	Council of Governments Housing	Region XII Development Corporation
Program Grants and Awards	\$ 5,016,904	\$ 248,934	\$ 150,000
Public Support & Program Funds	1,670,496	0	0
Elderbridge Agency on Aging	35,150	0	0
United Way	4,500	0	0
Loan Repayments	496,941	52,268	230,594
Interest From Loans & Fees	52,874	7,398	75,695
Interest From Investments	79,716	8,759	28,437
Other Revenues	83,838	0	0
Matching Funds	208,108	12,744	0
In-Kind Match	41,399	0	0
Total Revenue	<u>7,689,926</u>	<u>330,103</u>	<u>484,726</u>
Expenses:			
Local & Revolving Loan Funds	408,965	0	0
Community Administered & Support	155,661	0	0
Iowa Waste Exchange	383,854	0	0
Iowa Workforce Development	15,195	0	0
Low Income Housing Tax Credit	23,929	0	0
Affordable Housing Assistance	96,673	0	0
Disaster Relief (Jumpstart)	238,411	0	0
Western Iowa Advantage	132,290	0	0
Rural Housing Preservation	67,268	0	0
Economic Development Planning	129,680	0	0
Disaster Recovery Coordinator	79,695	0	0
Community Development Block Grants	1,806,606	0	0
HOME Investment Partnership	354,450	0	0
Workforce Investment Act	392,443	0	0
Employment/New Iowa/Veterans	30,359	0	0
Tornado/Flood National Emergency	369,328	0	0
Promise Jobs	126,109	0	0
Housing Disaster Recovery (Jumpstart)	427,238	0	0
Other Federal Programs	138,456	0	0
Rural Transit Systems	2,216,244	0	0
Regional Transportation Planning	180,907	0	0
Council of Governments-Housing:			
Administrative & Revolving Loan Fund	0	26,955	0
Local Housing Trust Fund	0	111,342	0
Region XII Development Corp.:			
Intermediary Re-lending Program	0	0	190,333
Rural Business Enterprise	0	0	113,649
Long-Term Economic Deterioration	0	0	167,674
Depreciation	365,835	0	0
Total Expenses	<u>8,139,596</u>	<u>138,297</u>	<u>471,656</u>
Revenue over (under) expenses	\$ (<u>449,670</u>)	\$ <u>191,806</u>	\$ <u>13,070</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 STATEMENTS OF CHANGES IN NET ASSETS
 Year ended June 30, 2010

	<u>Region XII Council of Governments</u>	<u>Council of Governments Housing</u>	<u>Region XII Development Corporation</u>
Program revenues			
over (under) expenses	\$ (449,670)	\$ 191,806	\$ 13,070
Increase (Decrease) in balance classified as "Receivable from Future Claims"	467,091	0	0
(Increase) Decrease in balance classified as "Deferred Revenue"	302,113	(150,142)	0
(Increase) in Self Insurance- "Health Insurance Reserve"	(13,802)	0	0
Investment in plant, vehicles, & equipment	162,003	0	0
Investment in spec houses	135,715	0	0
Increase (Decrease) in "Reserve for Loans"	(154,978)	5,461	(54,628)
Total Change in net assets	448,472	47,125	(41,558)
Net Assets-Beginning of Year	<u>10,088,581</u>	<u>408,390</u>	<u>1,622,458</u>
Net Assets-End of Year	\$ <u>10,537,053</u>	\$ <u>455,515</u>	\$ <u>1,580,900</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2010

	<u>Region XII Council of Governments</u>	<u>Council of Governments Housing</u>	<u>Region XII Development Corporation</u>
Resources Provided (Used) By:			
Cash Flow from Operating Activities:			
Revenue over expenses	\$ (449,670)	\$ 191,806	\$ 13,070
Items not requiring outlays of cash:			
Depreciation	365,835	0	0
Change in Operating Assets & Liabilities:			
Accounts receivable	(63,375)	(245,934)	(150,000)
Prepaid expenses	92,467	0	0
Accounts payable	(65,833)	11,772	99,111
Accrual payroll and benefits	(8,917)	0	0
Accrual annual leave	7,241	0	0
	<u>(122,252)</u>	<u>42,356</u>	<u>(37,819)</u>
Cash Flow From Investing Activities:			
Self insurance - health insurance reserve	(<u>13,801</u>)	<u>0</u>	<u>0</u>
Cash Flow From Financing Activities:			
Borrowing - short term notes	893,600	0	0
Borrowing - long term notes	75,500	0	0
Payments - short term notes	(247,700)	0	0
Capital match deposits	37,730	0	0
	<u>759,130</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash	623,077	(42,356)	(37,819)
Cash, Beginning of Year	<u>3,411,007</u>	<u>438,034</u>	<u>1,309,579</u>
Cash, End of Year	\$ <u>4,034,084</u>	\$ <u>395,678</u>	\$ <u>1,271,760</u>
Interest Expense - Cash Basis	\$ <u>18,478</u>	\$ <u>0</u>	\$ <u>10,983</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. entered into a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa and is certified in good standing with the Iowa Secretary of State. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc., is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The COG is the fiscal agent for IWD in Region 8. The COG provides Promise Jobs case management for the counties of IWD Region 8. The cities of Perry, Redfield and Linden, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit System. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit System operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit System is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments (COG) serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments.

Region XII Council of Governments assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

Council of Governments Housing, Inc. is a non-profit corporation organized under Chapter 504 of the Code of Iowa, and the objectives and purpose to be transacted and carried on are to promote the general social welfare of the community. These powers are limited to the definitions and purposes encompassed by Section 501(c)(4), of the Internal Revenue Code.

In addition to the powers provided by Iowa law, this corporation shall be allowed to:

Acquire, construct, provide, and operate rental housing and related facilities suited to the special needs and living requirements of eligible occupants as determined by USDA Rural Development regulations, without regard to race, color, religion, sex, age, handicap, marital and familial status, or national origin; and Administer programs for the purpose of rehabilitation of owner-occupied or rental properties or other properties for the purpose of eliminating safety and health hazards and other activities necessary to improve the condition of the home for habitation; and Acquire, improve, and operate any real or personal property or interest or right herein or appurtenant thereto; to sell, convey, assign, mortgage, lease any real and personal property; and Borrow money and to execute such evidence of indebtedness and such contracts, agreements, and instruments as may be necessary, and to execute and deliver any mortgage, deed of trust, assignment of income, or other security instrument in connection therewith; and Do all things necessary and appropriate for carrying out and exercising the foregoing purposes and powers.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 1 Nature of Activities and Significant Accounting Policies (continued)

Region XII Development Corporation, Inc., is a non-profit corporation organized under Chapter 504 of the Code of Iowa. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code.

The objectives and purpose to be transacted and carried on are:
To further the economic development of the area community known as Region XII, said Region comprises the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac including the cities, and rural areas of said counties in the state of Iowa; and
To aid in the development of the communities within the region; and promoting and stimulating business opportunities and development, both new and existing; and
For charitable, educational and scientific purposes including, for such purposes, the making of distributions to organizations that qualify and exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or the corresponding provision of any future United States revenue law; and
For any and all purposes permitted in the Iowa Non-Profit Corporation Act, Chapter 504 of the 1981 Code of Iowa and permitted under Section 501(c)(3) of the Internal Revenue Code.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc. and its wholly controlled affiliated organizations, the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into program funds established according to their nature and purposes. Separate accounts are maintained for each program fund; however, in the accompanying financial statements, programs that have similar characteristics have been combined into program fund groups. Accordingly, all financial transactions have been recorded and reported by program group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. The financial statements present any funds received and not expended as deferred revenue. Expenses are recorded when the

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase and capitalized and presented in the Statement of Net Assets.

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for accounts receivable bad debts since all receivables are considered to be collectible.

Receivable from Future Claims or Reimbursements - This receivable represents an excess of expenses over revenue received from the funding source at year end.

Receivables/Payables from Other Funds - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transactions between funds had been paid or received as of June 30, 2010, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized accumulating the net investment in property, vehicles, and equipment. Depreciation has

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 1. Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Property, Vehicles, and Equipment (continued)

been provided using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

Annual Leave - Employees of Region XII Council of Governments, Inc. accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities of the administrative fund or the program fund type. This liability has been computed based on current rates of pay.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Cost Allocation - The organizations have adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation. The cost allocation plan is approved by the COG's federal cognizant agency.

Budgetary Accounting - The organizations are not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corp., Inc. are exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 2 Support From Governmental Units

The COG receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began January 1, 2007, and expires December 31, 2010.

The COG is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 4 Pension and Retirement Benefits

The Region XII Council of Governments, Inc. contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117

Plan members are required to contribute 4.30% of their annual covered salary and the Region XII Council of Governments is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. Region XII Council of Government's contributions to IPERS for the year ended June 30, 2010 was \$110,264, equal to the employer required contributions for the year. The total contribution to IPERS for the year ended June 30, 2010 was \$181,286.

Note 5 Contingent Liability - Medical Leave

The organization's full time and part time II employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses until used. The organization's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2010 was \$218,274. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to convert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 6 Organization Risk Management

Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The organizations assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corp., Inc. maintain their checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the following financial institutions held public funds totaling:

	<u>June 30, 2010</u>
Financial institution balance	\$ 6,183,462

NOTE 8 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

Note 9 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2010

<u>Property & Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 3,191,480	\$ 2,322,006	\$ 421,000	\$ 5,934,486
Additions	99,624	312,915	20,894	433,433
Disposals	<u>0</u>	<u>(344,676)</u>	<u>(42,065)</u>	<u>(386,741)</u>
End of year	\$ <u>3,291,104</u>	\$ <u>2,290,245</u>	\$ <u>399,829</u>	\$ <u>5,981,178</u>

<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 265,908	\$ 1,493,218	\$ 108,222	\$ 1,867,348
Current deprec.	49,796	248,531	67,508	365,835
Disposal of assets	<u>0</u>	<u>(344,676)</u>	<u>(42,065)</u>	<u>(386,741)</u>
End of year	\$ <u>315,704</u>	\$ <u>1,397,073</u>	\$ <u>133,665</u>	\$ <u>1,846,442</u>

Note 10 Uncertain Tax Positions

Region XII Council of Governments, Inc.'s management is not aware of possible tax positions taken by the organizations which would be viewed as contrary to tax positions taken by the Internal Revenue Service. The fiscal years ending June 30, 2008, June 30, 2009, and June 30, 2010 remain open for examination.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 11 Housing and Business Enterprise Loans Receivable

The organizations account for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments administers Community Development Block Grants Revolving Loans (CDBG Loans) for various cities within Region XII. The loans are for down payment assistance or for a portion of the cost of housing rehabilitation.

Region XII Council of Governments administered the Department of Agriculture-Housing Preservation Grant (HPG Loans). The grant proceeds are used to maintain a low-interest revolving loan fund for low-income residents. Loans of up to \$5,000 per family, at varying interest rates, are used to make health and safety improvements to homes.

Region XII Council of Governments administers the Iowa Department of Economic Development Local Housing Assistance Program (LHAP Loans). LHAP funds are awarded for the purpose of providing a regional revolving loan fund to provide low-interest construction financing for new single-family housing.

Region XII Council of Governments administers the Iowa Finance Authority "Helping Iowa's Rural Economy" grant (HIRE Loans). The funds are for home ownership initiative down payment loans to provide financial assistance for the creation of affordable housing and economic development throughout the State of Iowa.

Region XII Council of Governments administers the Household Well Water System grant. The fund shall be used solely for the purpose of financing the construction, refurbishing and servicing of individually owned household water well systems in rural areas for individuals with low or moderate income. A Revolving Loan Fund Account has been established and designated to account for the grant funds.

Council of Governments Housing, Inc. receives Housing Trust Funding. The funds are to provide loans for financial assistance for residential housing.

Region XII Council of Governments received a loan from the US Department of Agriculture Intermediary Relending Program (IRP Loans). The loan proceeds plus local match are to be used for business enterprise loans.

Region XII Development Corporation received a Department of Commerce - Title IX Long-Term Economic Deterioration Revolving Loan Program (EDA Loans). The grant proceeds are used for business enterprise loans.

Region XII Development Corporation received a Rural Business Enterprise Grant (RBEG Loans) for loan assistance to rural business enterprises.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 11 Housing and Business Enterprise Loans Receivable (continued)

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

	<u>FISCAL YEAR June 30, 2010</u>				
	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest & New Loans</u>	<u>Ending Balance</u>
<u>Region XII Council of Governments, Inc.</u>					
CDBG/Home	\$ 1,112,881	\$ 115,811	\$ 0	\$ 26,031	\$ 1,023,101
HPG Loans	596,094	157,152	4,513	105,526	539,955
LHAP Loans	47,375	12,926	0	0	34,449
HIRE Loans	319,236	122,810	0	106,424	302,850
HWWS Loans	<u>39,345</u>	<u>2,374</u>	<u>0</u>	<u>22,626</u>	<u>59,597</u>
	<u>2,114,931</u>	<u>411,073</u>	<u>4,513</u>	<u>260,607</u>	<u>1,959,952</u>
<u>Council of Governments Housing, Inc.</u>					
COG Housing	49,089	1,114	0	440	48,415
Housing Trust	<u>243,989</u>	<u>78,982</u>	<u>2,716</u>	<u>87,833</u>	<u>250,124</u>
	<u>293,078</u>	<u>80,096</u>	<u>2,716</u>	<u>88,273</u>	<u>298,539</u>
<u>Region XII Development Corporation, Inc.</u>					
IRP Loans	862,642	124,577	0	0	738,065
EDA Loans	460,904	78,702	0	3,229	385,431
RBEG Loans	<u>111,071</u>	<u>14,620</u>	<u>0</u>	<u>100,450</u>	<u>196,901</u>
	<u>1,434,617</u>	<u>217,899</u>	<u>0</u>	<u>103,679</u>	<u>1,320,397</u>
Total	\$ <u>3,842,626</u>	\$ <u>709,068</u>	\$ <u>7,229</u>	\$ <u>452,559</u>	\$ <u>3,578,888</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note 12 Long Term Notes Payable

The long term notes payable and classification are as follows:

Region XII Council of Governments, Inc., has entered into a loan agreement with the United States Department of Agriculture, Intermediary Relending Program. The loan agreement, dated December 15, 2000, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. The repayment shall be made in 27 equal installments of \$25,470 including principle and interest beginning December 15, 2004. The loan agreement requires a restricted cash account to be maintained at 6% of the balance outstanding.

\$ 480,099

Region XII Council of Governments, Inc., has entered into a loan agreement with the United States Department of Agriculture, Intermediary Relending Program. The loan agreement, dated September 16, 2005, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. The repayment shall be made in 27 equal installments of \$25,470 including principal and interest beginning November 10, 2009. The loan agreement requires a restricted cash account to be maintained at 6% of the balance outstanding.

580,507

Region XII Council of Governments, Inc., has entered into an Amoco Loan Agreement with the Iowa Department of Transportation.

Total Notes Payable

75,500

Current Portion of Long Term Debt

1,136,106

Long Term Portion

55,440

\$ 1,080,666

Maturities of notes payable over the next five years are as follows:

June 30, 2011	55,440
June 30, 2012	55,843
June 30, 2013	56,251
June 30, 2014	56,663
June 30, 2015	57,078
Thereafter	<u>854,831</u>
Total	<u>\$ 1,136,106</u>

SUPPLEMENTAL INFORMATION

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Schedule 1

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 COMBINED SCHEDULES OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2010

	Region XII Council of <u>Governments</u>	Council of Governments <u>Housing</u>	Region XII Development <u>Corporation</u>
Salaries & wages	\$ 995,917	\$ 14,211	\$ 36,576
Employee benefits	341,818	5,023	10,805
Advertising & marketing	7,633	32	407
Accounting & legal	20,109	915	1,444
Insurance	14,476	196	513
Contracted services	402,236	1,048	80
Fees, dues & subscriptions	8,191	99	98
Postage	10,975	345	166
Rent	87,942	950	2,489
Telephone	44,918	151	368
Training	10,964	0	0
Travel	86,291	806	1,832
Office expense	56,185	994	1,873
Equipment expenses	118,858	888	2,491
Facility expenses	63,405	740	2,106
Board expense	8,735	233	1,218
Drivers' wages & benefits	955,134	0	0
Vehicle fuel & other costs	313,542	0	0
Vehicle insurance	68,020	0	0
Purchased services	124,774	0	0
Participant loans & grants	2,623,705	108,263	318,250
Participant support	654,783	0	0
Capital expenditures	580,094	0	0
Loan principal payments	0	0	39,957
Interest	18,478	0	10,983
Matching funds expended	115,179	3,403	40,000
Depreciation	365,835	0	0
In-kind Match expenditures	<u>41,399</u>	<u>0</u>	<u>0</u>
Total Expenses	\$ <u>8,139,596</u>	\$ <u>138,297</u>	\$ <u>471,656</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF STATE, GENERAL, AND LOCAL ADMINISTERED PROGRAMS ACTIVITY
Year Ended June 30, 2010

	<u>Local Funds</u>	<u>Revolving Loan Funds</u>	<u>Community Administered & Support Programs</u>
Revenues:			
Governmental Funding Source:			
State funds	\$ 0	\$ 0	\$ 0
Program funds	314,298	0	362,507
Loan repayments	0	496,941	0
Interest on loans	0	52,874	0
Interest on investments	16,228	49,625	0
Other revenue	53,702	4,558	0
Matching funds	<u>0</u>	<u>0</u>	<u>2,435</u>
Total revenues	<u>384,228</u>	<u>603,998</u>	<u>364,942</u>
Expenses:			
Salary & wages	4,529	16,047	25,473
Employee benefits	2,426	4,360	9,153
Advertising & marketing	944	41	15
Accounting & legal	2,298	3,805	336
Insurance	50	232	362
Contracted services	1,166	3,850	20,830
Fees, dues & subscriptions	3	100	144
Postage	0	460	377
Rent	231	1,117	1,747
Telephone	28	171	229
Travel	6,487	647	838
Office expense	1,142	2,032	1,307
Equipment expenses	29,990	1,183	1,702
Facility expenses	454	906	1,323
Board expense	22	94	151
Driver's wages & benefits	129	0	0
Vehicle expense	12,603	0	0
Participant loans & grants	0	168,968	31,701
Capital purchases	73,127	0	30,417
Matching funds & transfers	<u>59,974</u>	<u>9,349</u>	<u>29,556</u>
Total expenses	<u>195,603</u>	<u>213,362</u>	<u>155,661</u>
Revenue over (under) expenses	188,625	390,636	209,281
Beginning of year	<u>193,163</u>	<u>2,720,162</u>	<u>(196,390)</u>
End of Year-			
Net Assets	<u>381,788</u>	<u>3,110,798</u>	<u>0</u>
Receivable from future claims	<u>0</u>	<u>0</u>	<u>0</u>
Deferred revenue	\$ <u>0</u>	\$ <u>0</u>	\$ <u>12,891</u>

See accompanying Independent Auditor's Report.

Schedule 2

<u>Iowa Waste Exchange Programs</u>	<u>Iowa Workforce Development Programs</u>	<u>Low Income Housing Tax Credit</u>	<u>Affordable Housing Homeowner Repair Assistance Program</u>	<u>Disaster Relief Assistance Program Jumpstart</u>	<u>Western Iowa Advantage Partners</u>
\$ 383,854	\$ 14,187	\$ 30,275	\$ 0	\$ 47,428	\$ 35,657
0	0	0	88,000	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	2,667
0	0	0	0	0	0
0	1,008	0	0	53	60,508
<u>383,854</u>	<u>15,195</u>	<u>30,275</u>	<u>88,000</u>	<u>47,481</u>	<u>98,832</u>
84,510	4,008	5,783	4,859	11,153	0
32,318	1,028	3,166	1,573	3,525	0
3	0	0	9	28	0
879	103	10	412	493	160
1,266	33	104	67	145	0
234,141	1,394	7	63	9	131,322
796	82	124	24	46	0
379	17	102	110	240	0
6,115	193	499	329	706	0
642	2,822	78	50	119	0
8,029	120	474	315	777	209
3,917	2,640	733	288	609	0
5,967	100	722	376	612	0
4,401	2,510	396	241	736	0
491	145	35	30	49	599
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	83,323	219,164	0
0	0	0	0	0	0
0	0	11,696	4,604	0	0
<u>383,854</u>	<u>15,195</u>	<u>23,929</u>	<u>96,673</u>	<u>238,411</u>	<u>132,290</u>
0	0	6,346	(8,673)	(190,930)	(33,458)
0	0	(6,346)	8,673	189,133	139,749
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,797)</u>	<u>0</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>106,291</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF FEDERAL PROGRAMS ACTIVITY
Year Ended June 30, 2010

	Rural Housing Preservation <u>Grant</u>	Economic Development Planning <u>Grant</u>	Disaster Recovery <u>Coordinator</u>	Community Development Block <u>Grants</u>
Revenues:				
Governmental Funding Sources:				
Department of Agriculture	\$ 61,914	\$ 0	\$ 0	\$ 0
Department of Commerce	0	64,840	79,695	0
Department of Housing & Urban Development	0	0	0	1,206,338
Department of Labor	0	0	0	0
Department of Health & Human Services	0	0	0	0
Department of Homeland Security	0	0	0	0
State Funds	0	0	0	0
Matching Funds	7,552	23,441	0	665
In-Kind Match	0	41,399	0	0
Total Revenues	<u>69,466</u>	<u>129,680</u>	<u>79,695</u>	<u>1,207,003</u>
Expenses:				
Salaries & wages	7,201	53,552	45,462	107,521
Employee benefits	2,849	18,624	20,138	38,777
Advertising & marketing	0	2	1	104
Accounting & legal	154	259	135	1,644
Insurance	106	805	661	1,538
Contracted services	806	183	160	1,332
Fees, dues & subscriptions	70	348	206	641
Postage	162	246	213	2,255
Rent	509	3,879	3,177	7,374
Telephone	81	482	353	1,039
Training	0	0	0	0
Travel	555	1,565	1,466	5,936
Office expense	545	2,303	2,151	5,592
Equipment expenses	801	3,032	2,654	7,446
Facility expenses	448	2,688	2,665	6,014
Board expense	45	313	253	619
Participant loans & grants	52,936	0	0	1,607,743
Participant support	0	0	0	0
Capital expenditures	0	0	0	0
Interest	0	0	0	11,031
Matching funds	0	0	0	0
In-Kind expenses	0	41,399	0	0
Total expenses	<u>67,268</u>	<u>129,680</u>	<u>79,695</u>	<u>1,806,606</u>
Program revenues over (under) expense	2,198	0	0	(599,603)
Beginning of Year	(3,848)	0	0	(19,335)
End of Year-				
Receivable from future claims	\$ (<u>1,650</u>)	\$ <u>0</u>	\$ <u>0</u>	\$ (<u>618,938</u>)

See accompanying Independent Auditor's Report.

Schedule 3

HOME Investment Partnership Program	WIA Workforce Investment Act Title I	IWD Employment Serv Re-employment New Iowan Ctr. Veterans DVOP	WIA Tornado/Flood National Emergency Grants	WIA Temporary Assistance for Needy Families Promise Jobs	CDBG Housing Disaster Recovery Jumpstart	Other Federal Programs
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,526
0	0	0	0	0	0	29,622
240,586	0	0	0	0	369,817	30,000
0	392,109	30,359	369,328	0	0	0
0	0	0	0	123,905	0	0
0	0	0	0	0	0	4,192
0	0	0	0	0	0	38,167
10,000	334	0	0	2,204	0	18,247
0	0	0	0	0	0	0
<u>250,586</u>	<u>392,443</u>	<u>30,359</u>	<u>369,328</u>	<u>126,109</u>	<u>369,817</u>	<u>146,754</u>
28,244	133,935	0	79,413	68,133	21,997	34,431
10,972	50,090	0	23,389	23,263	7,329	12,187
47	39	0	0	0	50	506
806	771	43	1,216	305	80	274
407	2,522	0	1,200	1,048	330	488
951	201	4,852	62	152	26	134
240	1,286	0	740	22	247	61
1,025	850	0	544	1,527	558	175
1,950	11,186	0	6,768	6,722	1,589	2,354
321	1,745	5,981	1,160	2,423	246	265
0	0	0	10,964	0	0	0
2,090	10,560	0	11,952	2,354	1,805	1,351
1,682	6,359	4,333	2,699	6,299	1,563	1,548
1,631	10,045	9,568	19,560	6,013	1,564	1,387
1,570	7,101	5,582	4,493	6,376	1,136	2,105
155	1,874	0	1,354	240	140	169
298,911	0	0	0	0	384,579	78,867
0	147,250	0	203,814	1,232	0	0
0	6,629	0	0	0	0	2,154
3,448	0	0	0	0	3,999	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>354,450</u>	<u>392,443</u>	<u>30,359</u>	<u>369,328</u>	<u>126,109</u>	<u>427,238</u>	<u>138,456</u>
(103,864)	0	0	0	0	(57,421)	8,298
(5,922)	0	0	0	0	(18,655)	(13,915)
\$ <u>(109,786)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(76,076)</u>	\$ <u>(5,617)</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUE AND EXPENSES
SCHEDULES OF WESTERN IOWA TRANSIT PROGRAMS ACTIVITY
Year Ended June 30, 2010

	<u>Rural Transit Operating</u>	<u>Rural Transit Capital</u>
Revenue:		
Governmental Funding Source:		
Federal-Dept. of Transportation	\$ 583,435	\$ 412,785
Iowa Dept. of Transportation	291,482	0
Elderbridge Agency	35,150	0
United way	4,500	0
Public support & contribution	905,691	0
Capital & other matching funds	18,453	32,704
Interest from investments	11,196	0
Fuel tax refund	821	0
Other local	24,757	0
Total Revenues	<u>1,875,485</u>	<u>445,489</u>
Expenses:		
Salaries & wages	160,393	0
Employee benefits	45,641	0
Advertising & marketing	5,843	0
Accounting & legal	5,436	0
Insurance	1,613	0
Contracted services	208	0
Fees, dues & subscriptions	2,324	0
Postage	1,242	0
Rent	24,352	0
Telephone	25,835	0
Travel	23,483	0
Office expense	3,763	0
Equipment expenses	7,845	0
Facility expenses	6,195	0
Board expense	1,027	0
Drivers' wages & benefits	955,005	0
Vehicle fuel & other costs	300,939	0
Vehicle insurance	68,020	0
Purchased services	124,774	0
Capital purchases	6,817	445,489
Matching funds	0	0
Total Expenses	<u>1,770,755</u>	<u>445,489</u>
Revenue over (under) expenses	104,730	0
Beginning of year-net assets	<u>435,369</u>	<u>0</u>
End of Year-Net assets	\$ <u><u>540,099</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

<u>Regional Transportation Planning</u>			<u>Safe</u>
<u>Agreement Number 09 PA-12</u>			<u>Route to</u>
<u>FHWA SPR</u>	<u>FTA</u>	<u>FHWA (STP)</u>	<u>School</u>
\$ 22,492	\$ 24,210	\$ 75,198	\$28,503
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
5,623	6,082	18,799	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>28,115</u>	<u>30,292</u>	<u>93,997</u>	<u>28,503</u>
16,954	18,260	46,986	17,073
5,468	5,800	13,596	6,146
0	0	1	0
84	85	282	39
243	279	746	231
64	74	166	83
100	72	511	4
76	91	247	79
1,159	1,339	3,552	1,095
125	151	460	112
935	935	3,030	378
751	823	2,309	797
988	1,203	3,265	1,204
1,075	1,082	2,730	1,178
93	98	655	84
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	15,461	0
0	0	0	0
<u>28,115</u>	<u>30,292</u>	<u>93,997</u>	<u>28,503</u>
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

Schedule 5

COUNCIL OF GOVERNMENTS HOUSING, INC.
SCHEDULES OF REVENUES AND EXPENSES
Year Ended June 30, 2010

	Administrative Fund	Revolving Loan Fund	Project # 08-16 Local Housing Trust Fund	Project # 09-16 Local Housing Trust Fund	Project # 10-16 Local Housing Trust Fund
Revenues:					
State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 248,934
Loan repayment & fees	0	52,268	0	0	0
Interest from loans	0	7,398	0	0	0
Interest from investments	8,759	0	0	0	0
Local funds and match	<u>194</u>	<u>0</u>	<u>3,350</u>	<u>3,000</u>	<u>6,200</u>
Total revenues	<u>8,953</u>	<u>59,666</u>	<u>3,350</u>	<u>3,000</u>	<u>255,134</u>
Expenses:					
Salaries & wages	31	1,580	8,885	3,715	0
Employee benefits	5	261	3,291	1,466	0
Advertising & marketing	0	3	18	11	0
Accounting & legal	3	640	237	35	0
Insurance	1	23	121	51	0
Contracted services	0	2	292	754	0
Fees, dues, & subscriptions	0	12	70	17	0
Postage	1	39	212	93	0
Rent	2	112	587	249	0
Telephone	3	17	93	38	0
Travel	1	67	535	203	0
Office expense	6	277	527	184	0
Equipment expense	2	104	554	228	0
Facility expense	2	79	440	219	0
Board expense	0	159	55	19	0
Participant loans & grants	0	20,120	71,605	16,538	0
Match funds	<u>0</u>	<u>3,403</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>57</u>	<u>26,898</u>	<u>87,522</u>	<u>23,820</u>	<u>0</u>
Revenue over (under) expenses	8,896	32,768	(84,172)	(20,820)	255,134
Beginning of Year	<u>48,178</u>	<u>67,134</u>	<u>84,457</u>	<u>240,809</u>	<u>0</u>
End of Year - Deferred revenue	\$ <u>0</u>	\$ <u>0</u>	\$ <u>285</u>	\$ <u>219,989</u>	<u>255,134</u>
End of Year - Net assets	\$ <u>57,074</u>	\$ <u>99,902</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

Schedule 6

REGION XII DEVELOPMENT CORPORATION, INC.
SCHEDULES OF REVENUE AND EXPENSES
Year Ended June 30, 2010

	Loan <u>Services</u>	Intermediary Re-lending <u>Program</u> Admin. and Repayment <u>Fund</u>	Rural Business Enterprise <u>Grant</u> Admin. and Repayment <u>Fund</u>	Long-Term Economic Deterioration Revolving <u>Loan Fund</u> Admin. and Repayment <u>Fund</u>
Revenues:				
Governmental Funding Source:				
State funds	\$ 0	\$ 0	\$ 0	\$ 150,000
Loan repayment & fees	50	131,175	16,129	83,240
Interest from loans	0	54,181	4,409	17,105
Interest from investments	0	17,514	4,610	6,313
Matching funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	<u>50</u>	<u>202,870</u>	<u>25,148</u>	<u>256,658</u>
Expenses:				
Salaries & wages	0	17,222	7,738	11,616
Employee benefits	0	5,040	2,238	3,527
Advertising & marketing	0	203	102	102
Accounting & Legal	0	522	51	871
Insurance	0	241	106	166
Contracted services	0	39	14	27
Fees, dues & subscriptions	0	51	12	35
Postage	0	78	36	52
Rent	0	1,170	515	804
Telephone	4	177	74	113
Travel	0	839	423	570
Office expense	0	869	379	625
Equipment expense	0	1,129	527	835
Facility expense	0	982	451	673
Board expense	0	452	358	408
Participant loans	0	109,125	100,000	109,125
Loan principal payments	0	39,957	0	0
Interest	0	10,983	0	0
Matching Funds	<u>0</u>	<u>1,250</u>	<u>625</u>	<u>38,125</u>
Total expenses	<u>4</u>	<u>190,329</u>	<u>113,649</u>	<u>167,674</u>
Revenue over (under) expenses	46	12,541	(88,501)	88,984
Beginning of Year	<u>0</u>	<u>845,584</u>	<u>231,684</u>	<u>230,771</u>
End of Year - Net assets	\$ <u><u>46</u></u>	\$ <u><u>858,125</u></u>	\$ <u><u>143,183</u></u>	\$ <u><u>319,755</u></u>

See accompanying Independent Auditor's Report.

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SCHEDULES OF REVENUE AND EXPENSES FOR COMPLETED CONTRACTS

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
COMPLETED PROGRAMS
Year Ended June 30, 2010

	Workforce Investment Act Title I Agreement # <u>7-W-08-FR-0</u>	Iowa Homeland Security & Emergency Mgmt. Hazard Mitigation <u>DR-1688-00-28-00</u>	Housing Preservation Grant Borrower ID # <u>160140421017843</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 0	\$ 0	\$ 53,870
Department of Commerce	0	0	0
Department of Labor	148,068	55,747	0
Iowa Department of Homeland Security	0	0	0
Iowa Department of Economic Development	0	0	0
Iowa Finance Authority	0	0	0
Matching Funds	0	18,502	8,823
In-Kind Match	0	0	0
Total Revenues	<u>148,068</u>	<u>74,249</u>	<u>62,693</u>
Expenses:			
Salaries & wages	59,192	42,406	8,855
Employee benefits	18,643	15,968	3,504
Advertising & marketing	39	32	6
Accounting & legal	546	132	226
Insurance	1,371	723	174
Contracted services	68	137	17
Fees, dues & subscriptions	429	88	62
Postage	157	220	350
Rent	3,944	2,719	571
Telephone	820	317	108
Travel	3,922	1,819	656
Office expense	3,436	2,433	858
Equipment expenses	4,394	4,540	854
Facility expenses	4,269	2,453	588
Board expense	580	262	74
Participant loans & grants	0	0	45,790
Participant support	46,258	0	0
Interest	0	0	0
Matching funds	0	0	0
In-Kind expenses	0	0	0
Total expenses	<u>148,068</u>	<u>74,249</u>	<u>62,693</u>
Net	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

Low Income Housing Tax Credit	Community Development Western Iowa Advantage 08-RGM-03	Community Development Western Iowa Advantage 09-RGM-03	State Housing Trust Fund SHTF # 08-16	Economic Development Planning 05-83-04445-02	Economic Development Technical Assistance 08-DRADM-005
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	166,840	30,000
0	0	0	0	0	0
0	0	0	0	0	0
0	49,072	24,085	0	0	0
36,225	0	0	146,251	0	0
0	24,536	10,542	55,431	106,060	30,000
0	0	0	0	60,780	0
<u>36,225</u>	<u>73,608</u>	<u>34,627</u>	<u>201,682</u>	<u>333,680</u>	<u>60,000</u>
11,522	0	0	18,140	164,185	3,605
6,348	0	0	6,578	53,848	1,476
6	0	0	55	128	0
251	0	0	293	921	17
178	0	0	308	3,161	56
11,720	73,608	34,627	320	396	54,000
130	0	0	147	813	2
223	0	0	537	1,241	9
772	0	0	1,106	10,543	254
129	0	0	199	1,433	37
1,346	0	0	1,252	9,133	80
1,140	0	0	1,295	10,093	191
1,282	0	0	1,115	7,813	83
1,112	0	0	935	8,007	172
66	0	0	130	1,007	18
0	0	0	169,272	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	178	0
0	0	0	0	60,780	0
<u>36,225</u>	<u>73,608</u>	<u>34,627</u>	<u>201,682</u>	<u>333,680</u>	<u>60,000</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	<u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

Schedule 8

REGION XII COUNCIL OF GOVERNMENTS, INC.
 COUNCIL OF GOVERNMENTS HOUSING, INC.
 REGION XII DEVELOPMENT CORPORATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

Agency and Office:

Recipient State Agency:

Subrecipient of State Funds:

Program Title:

	CFDA #	Program Or Grant Number	Total Expenditures
Federal Direct:			
<u>Department of Agriculture-Rural Development:</u>			
Rural Housing Preservation Grant	10.433	-	\$ 61,914
Household Water Well System Grant	10.862	16-914-421-404432	26,526
Total			<u>\$ 88,440</u>
<u>Department of Commerce-Economic Development Administration:</u>			
Economic Development Support for			
Planning Organizations	11.302	05-083-04445-02	\$ 64,840
Planning Organizations	11.302	05-06-04668	30,000
			<u>94,840</u>
Economic Adjustment Disaster Recovery	11.307	05-69-04679	79,695
EDA RLF Computation of Federal Awards	11.307	EDA RLF	429,250
			<u>508,945</u>
Total			<u>\$ 603,785</u>

Federal Indirect:Department of Housing & Urban Development-Office of Community Planning & Development:Iowa Department of Economic Development:Subrecipient of Cities, Counties, and SWIPCO:

Community Development Block Grants

City of:

Perry	14.228	08-WS-056	\$ 6,763
Linden	14.228	08-WS-037	4,472
Stuart	14.228	08-WS-071	5,556
Grand Junction	14.228	09-WS-023	5,576
Sac City	14.228	08-WS-063	13,824
Sac City	14.228	09-WS-051	14,959
Glidden	14.228	08-DRI-268	7,395
Carroll County	14.228	08-CF-002	5,691

Economic Development Set-Aside Grant

Crawford County

	14.228	06-ED-022-05	1,023
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Housing Disaster Recovery Fund

City of:

Audubon-Neighborhood Stabilization	14.228	08-NSP-001	52,486
Boone-Neighborhood Stabilization	14.228	08-NSP-002	206,884
Charter Oak-Housing	14.228	09-HSG-109	4,832
Guthrie Center-Housing	14.228	09-HSG-041	2,969
Guthrie Center-Neighborhood Stab.	14.228	08-NSP-008	85,965
Jefferson-Housing	14.228	08-NSG-038	152,690
Jefferson-Neighborhood Stabilization	14.228	08-NSP-010	131,056
Manning-Housing	14.228	08-HSG-043	196,160
Perry-Housing	14.228	07-HSG-050	22,670
Perry-Neighborhood Stabilization	14.228	08-NSP-014	160,258
Sac City	14.228	08-HSG-041	125,109

Jumpstart Small Business Assistance Program

Cass County

	14.228	08-DHR-003	369,817
			<u>1,606,155</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2010

Agency and Office:

Recipient State Agency:

Subrecipient of State Funds:

Program Title:

Federal Indirect:	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Housing & Urban Development-Office of Community Planning & Development:</u>			
<u>Iowa Department of Economic Development:</u>			
<u>Subrecipient of Cities, Counties, and SWIPCO:</u>			
Home Investment Partnership Program			
City of:			
Denison	14.239	06-HM-115-69	\$ 60,949
Manilla	14.239	06-HM-113-69	24,579
Wall Lake	14.239	07-HM-118-65	45,885
Greene County	14.239	08-HM-109-65	109,173
			<u>240,586</u>
Total			\$ <u>1,846,741</u>

Department of Labor-Employment Training Administration:

Iowa Workforce Development

Employment Service/Wagner Peyser	17.207	B-10-02-R8	\$ 3,638
Re-employment	17.207	B-10-02-R8	6,416
New Iowan Center	17.207	B-10-02-R8	3,747
			<u>13,801</u>
Unemployment Insurance	17.225	B-10-02-R8	13,490
WIA Adult Program	17.258	7-W-08-FR-0	31,612
ARRA Adult Program	17.258	7-W-08-FR-0	16,475
			<u>48,087</u>
WIA Youth Program	17.259	7-W-08-FR-0	59,267
Incentive SWA	17.259	7-W-08-FR-0	28,691
ARRA Youth Program	17.259	7-W-08-FR-0	55,077
ARRA Incentive SWA	17.259	7-W-08-FR-0	12,740
			<u>155,775</u>
WIA Dislocated Worker	17.260	7-W-08-FR-0	105,664
ARRA Dislocated Worker	17.260	7-W-08-FR-0	82,583
			<u>188,247</u>
Tornado/Flood National Emergency Grants	17.277	7-W-08-FR-0	369,328
Veterans - DVOP	17.801	7-W-08-FR-0	3,069
			<u>3,069</u>
Total			\$ <u>791,797</u>

Department of Transportation-Federal Highway Administration:

Iowa Department of Transportation:

Urban Youth Corp	20.205	UYC-10-007	\$ 5,617
Planning Joint Participation Agreement To			
Implement Regional Intermogal Planning	20.205	10RPA-12 FHWA STP	75,198
Planning Joint Participation Agreement To			
Implement Regional Intermogal Planning	20.205	10RPA-12 FHWA SPR	22,492
Highway Planning and Construction	20.205	SRTS-U-PA12 (001)-8U	28,503
			<u>131,810</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2010

Agency and Office:

Recipient State Agency:

Subrecipient of State Funds:

Program Title:

Federal Indirect:

CFDA #

Program
Or Grant
Number

Total
Expenditures

Department of Transportation-Federal Transit Administration:

Iowa Department of Transportation:

Capital Investment Assistance	20.500	04-0113-120-08	<u>22,557</u>
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.509	10RPA-12 FTA5311	24,210
Rural Training Assistance Program	20.509	TF-10-###	10,141
Operating Assistance	20.509	18-0029-120-10	504,250
Non-Urban Capital Assistance	20.509	85-X030-120-08	95,191
Non-Urban Capital & Operating Assistance	20.509	85-X030-120-09	3,043
ARRA Non-Urbanized Capital Assistance	20.509	06-0001-120-09	85,000
ARRA Non-Urbanized Capital Assistance	20.509	86-0001-120-09	<u>232,594</u>
			<u>954,429</u>
Job Access/Reverse Commute (Partnership 4 Families)	20.516	37-X017-120-10	<u>27,479</u>
New Freedom Operating Assistance	20.521	57-X002-120-10	5,167
New Freedom Operating Assistance	20.521	57-X002-120-10	<u>10,798</u>
			<u>15,965</u>

Total

\$ 1,152,240

Department of Health & Human Services-Administration for Children and Families:

Iowa Workforce Development

Promise Jobs - Basic	93.558	9-W-08-FN-0	\$ 107,050
Promise Jobs-Life Skills-Workforce Essentials	93.558	9-W-08-FN-0	<u>6,082</u>
			<u>113,132</u>
ARRA Temporary Assistance for Needy Families	93.716	10-W-08-TE-0	<u>10,773</u>

Total

\$ 123,905

Department of Homeland Security:

Iowa Homeland Security & Emergency Management Division:

Hazard Mitigation Grant	97.039	DR-1688-0028-00	\$ <u>4,192</u>
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TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 4,611,100

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corporation, Inc. and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

John D. Morrow

Certified Public Accountant

**Member
Iowa
Society**

**P O Box 400
109 Main Street
Wall Lake, Iowa 51466-0400**

**413 Ash Ave.
Ames, Iowa 50014**

**Phone: (712) 664-2891
FAX: (712) 664-2717
Cell: (712) 830-3121
Email: morrowjd@netins.net**

Certified Public Accountants

November 23, 2010

RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors
Region XII Council of Governments, Inc.
Council of Governments Housing, Inc.
Region XII Development Corporation, Inc.
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

John D. Morrow

Certified Public Accountant

Member
Iowa
Society

P O Box 400
109 Main Street
Wall Lake, Iowa 51466-0400

413 Ash Ave.
Ames, Iowa 50014

Phone: (712) 664-2891
FAX: (712) 664-2717
Cell: (712) 830-3121
Email: morrowjd@netins.net

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Region XII Council of Governments, Inc.
Council of Governments Housing, Inc.
Region XII Development Corporation, Inc.
Carroll, Iowa

I have audited the financial statements of Region XII Council of Governments, Inc., Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, as of and for the year ended June 30, 2010, and have issued my report thereon dated November 23, 2010. I conducted the audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Region XII Council of Governments Inc., Council of Governments Housing, Inc., and Region XII Development Corporation, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the ability to initiate, authorize, record, process, or report financial data reliably in accordance with U. S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the COG's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I noted no matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the organization's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the organization's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., and other parties to whom the organizations may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of Region XII Council of Governments during the course of the audit. Should you have any question concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

John D. Morrow

Certified Public Accountant

Member
Iowa
Society

P O Box 400
109 Main Street
Wall Lake, Iowa 51466-0400

413 Ash Ave.
Ames, Iowa 50014

Phone: (712) 664-2891
FAX: (712) 664-2717
Cell: (712) 830-3121
Email: morrowjd@netins.net

Certified Public Accountants

November 23, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Region XII Council of Governments, Inc.
Council of Governments Housing, Inc.
Region XII Development Corporation, Inc.
Carroll, Iowa

I have audited the compliance of Region XII Council of Governments, Inc., Council of Governments Housing, Inc. and Region XII Development Corporation, Inc., Carroll, Ia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of management. My responsibility is to express an opinion on compliance based on my audit.

I conducted my audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on compliance with those requirements.

In my opinion Region XII Council of Governments, Inc., Council of Governments Housing, Inc. and Region XII Development Corporation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. Instances of non-compliance with those requirements, if any, are described in Part III of the accompanying Schedule of Findings and Questioned Costs

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered the organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect management's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the internal control. I noted no matters involving the internal control over compliance and its operation that I consider to be significant deficiencies or material weaknesses.

This report, a public record by law, is intended solely for the information and use of Region XII Council of Governments, Inc., Council of Governments Housing, Inc., and Region XII Development Corporation, Inc., and other parties to whom the organizations may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

REGION XII COUNCIL OF GOVERNMENTS, INC.
COUNCIL OF GOVERNMENTS HOUSING, INC.
REGION XII DEVELOPMENT CORPORATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported
Non-compliance material to	
financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on	
compliance for major programs:	Unqualified
Any audit findings disclosed that are	
required to be reported in accordance	
with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Commerce	11.307
Department of Housing and Urban Development	14.228
Department of Labor	17.277
Department of Transportation	20.509
Dollar threshold used to distinguish	
between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported

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